



**800 MHz RECONFIGURATION
STATEMENT OF PROGRAM EXPENDITURES
DECEMBER 31, 2007**

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OVERVIEW

800 MHz Transition Administrator, LLC (“TA”) provides to the Federal Communications Commission (“FCC”) the audited Statements of Program Expenditures reporting funds expended in connection with the reconfiguration of the 800 MHz band for the year ended December 31, 2007 and during the period from August 6, 2004 (“Inception”) through December 31, 2007. Pursuant to the FCC’s *Reconfiguration Orders*,¹ the TA,² as the manager of the reconfiguration effort, is required to submit on an annual basis, an audited statement of reconfiguration funds expended, including salaries and expenses of the TA.³

¹ *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004) (“*Report and Order*”); as amended by *Erratum*, WT Docket No. 02-55 (rel. Sept. 10, 2005); *Second Erratum*, 19 FCC Rcd 19651 (2004); *Public Notice*, “Commission Seeks Comment on *Ex Parte* Presentations and Extends Certain Deadlines Regarding the 800 MHz Public Safety Interference Proceeding,” 19 FCC Rcd 21492 (2004); *Third Erratum*, 19 FCC Rcd 21818 (2004); Supplemental Order and Order on Reconsideration, 19 FCC Rcd 25120 (2004) (“*Supplemental Order*”); *Erratum*, WT Docket No. 02-55 (rel. Jan. 19, 2005); Memorandum Opinion and Order, 20 FCC Rcd 16015 (2005) (“*Memorandum Opinion and Order*”); Second Memorandum Opinion and Order, 22 FCC Rcd 10467 (2007); *Erratum*, WT Docket No. 02-55 (rel. July 26, 2007); Third Memorandum Opinion and Order, 22 FCC Rcd 17209 (2007); “FCC Announces Supplemental Procedures and Provides Guidance for Completion of 800 MHz Rebanding,” Public Notice, 22 FCC Rcd 17227 (2007); “Federal Communications Commission Provides Guidance for Submission of Requests for Waiver of June 26, 2008 Deadline for Completion of 800 MHz Rebanding,” Public Notice, 23 FCC Rcd 664 (2008); Second Report and Order, 23 FCC Rcd 7605 (2008); *Erratum*, WT Docket No. 02-55 (rel. May 28, 2008) (collectively “*Reconfiguration Orders*”).

² 800 MHz Transition Administrator, LLC is the Transition Administrator for the reconfiguration of the 800 MHz band as mandated by the FCC. 800 MHz Transition Administrator, LLC has contracted with BearingPoint, Inc. (“BearingPoint”), Squire, Sanders & Dempsey L.L.P. (“SSD”), and Baseline Telecom, Inc. (“BTI”) (each a “TA Member” and collectively “TA Members”) to perform the duties of the TA.

³ *Report and Order*, 19 FCC Rcd at 15073, 47 C.F.R. § 90.676(b)(4).

INDEPENDENT AUDITORS' REPORT

To 800 MHz Transition Administrator, LLC

We have audited the accompanying Statements of Program Expenditures of the 800 MHz Reconfiguration Program ("Program") for the year-ended December 31, 2007 and for the period from August 6, 2004 ("Inception") through December 31, 2007. The Statement of Program Expenditures is the responsibility of the management of both the 800 MHz Transition Administrator LLC and of Sprint Nextel. Our responsibility is to express an opinion on the Statement of Program Expenditures based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements of Program Expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements of Program Expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note II, the Statements of Program Expenditures was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Statements of Program Expenditures referred to above presents fairly in all material respects, the Program expenditures of the 800 MHz Reconfiguration Program for the period-ended December 31, 2007 and for the period of August 6, 2004 ("Inception") through December 31, 2007, on the basis of accounting described in Note II.

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2008, on our consideration of the 800 MHz Reconfiguration Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters including the requirements of the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance

and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Reznick Group, P.C.

Bethesda, Maryland
June 30, 2008

**800 MHz RECONFIGURATION
STATEMENTS OF PROGRAM EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007
AND FOR THE PERIOD FROM
AUGUST 6, 2004 (INCEPTION) THROUGH DECEMBER 31, 2007**

(in thousands)

	For the Year Ended December 31, 2007	Inception Through December 31, 2007
800 MHz Incumbent Reconfiguration Costs (Note III)	\$ 64,778	\$ 123,182
Sprint Nextel Costs (Note IV)	21,908	27,476
Letter of Credit Fees (Note V)	14,509	33,045
800 MHz Transition Administrator Fees & Expenses (Note VI)	<u>42,162</u>	<u>100,482</u>
Total Program Expenditures	\$ <u>143,357</u>	\$ <u>284,185</u>

See Notes to the Statements of Program Expenditures

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
DECEMBER 31, 2007

(in thousands)

I. 800 MHz RECONFIGURATION PROGRAM DESCRIPTION

A. Program Background

The Federal Communications Commission (“FCC”) on August 6, 2004 (“Inception”) ordered in its *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented (“Report and Order”) the reconfiguration of the 800 MHz band (“800 MHz Reconfiguration” or “Program”) to eliminate interference to critical public safety communications from commercial wireless carriers operating in the band. Over the past several years, public safety and other “high-site” radio systems - including those used by police, firefighters, emergency services, utilities, businesses, and others operating in the 806-824 MHz/851-869 MHz band (the “800 MHz band”) - increasingly experienced equipment interference problems and communications “dead zones” as a result of technically incompatible “low-site” commercial wireless systems operating in the same or adjacent spectrum bands. This issue became more problematic as low-site systems flourished (such as those of Sprint Nextel) and high-site 800 MHz public safety systems became more widespread.

In order to alleviate the interference between the two types of systems, 800 MHz Reconfiguration will move public safety licensees to lower segments of the band and commercial cellular networks to higher segments. Additionally, an “Expansion Band” and a “Guard Band” will be created to serve as a buffer between the different systems. The Program is being overseen by a Transition Administrator, 800 MHz Transition Administrator, LLC (“TA”), which on January 31, 2005, released a Regional Prioritization Plan (“RPP”) outlining a schedule for accomplishing reconfiguration of the 800 MHz band.

The schedule outlined in the RPP established dates for commencement of band reconfiguration in each of fifty-five 800 MHz National Public Safety Planning Advisory Committee (“NPSPAC”) regions, which are grouped into two stages, each with four waves (“Waves 1-4”). The RPP provides that the four waves start reconfiguration successively on a staggered schedule within each stage, in order to accomplish 800 MHz reconfiguration within a three-year timeframe, which commenced on June 27, 2005 upon the start date of Reconfiguration for Wave 1 Stage 1. The FCC has granted waivers to many licensees for reconfiguration activities to extend beyond June 26, 2008. From Inception to the June 27, 2005 start of reconfiguration for Wave 1 Stage 1, Program activities included frequency planning, process and policy development, stakeholder outreach and education and planning for the relocation of Sprint Nextel’s 800 MHz operations.

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

B. Affected Parties

The primary parties affected by the reconfiguration process include:

1. 800 MHz Incumbent Licensees

The FCC ordered certain licensees operating 800 MHz systems (“800 MHz Incumbent Licensees”) to relocate their systems to comparable facilities at new frequencies and required Sprint Nextel to pay all reasonable reconfiguration costs of the relocations. The 800 MHz Incumbent Licensees negotiate and enter into Planning Funding Agreements (“PFAs”) and/or Frequency Reconfiguration Agreements (“FRAs”), (collectively, “800 MHz Agreements”) with Sprint Nextel to document the terms of incumbent reconfigurations. The TA reviews and approves requests for planning funding and cost estimates associated with these reconfigurations (“Cost Estimates”) and reviews the amounts expended at the completion of each licensee reconfiguration to ensure the amounts expended are consistent with TA-approved amounts.

2. Sprint Nextel

Sprint Nextel is charged by the FCC with funding 800 MHz reconfiguration expenditures, including relocation costs of affected licensees, costs of reconfiguring many of its own 800 MHz operations, and other program expenditures such as TA and audit fees. To ensure reconfiguration of all affected licensees is completed nationwide, the FCC required Sprint Nextel to obtain irrevocable letters of credit (“Letters of Credit”) in the amount of \$2.5 billion and commit to fully funding the 800 MHz Reconfiguration.

Sprint Nextel has received spectrum in the 1.9 GHz band and has relinquished spectrum within the 800 MHz band to 800 MHz band licensees. At the culmination of reconfiguration, the FCC will make available to qualified entities the channels in the 800 MHz band surrendered by Sprint Nextel. To ensure that Sprint Nextel does not realize any windfall gain, at completion of reconfiguration, the Commission will require Sprint Nextel to pay into the U.S. Treasury the difference between the value of the 1.9 GHz spectrum it received (\$4.86 billion) and the sum of i) the net value of spectrum rights that Sprint Nextel has relinquished to 800 MHz band licensees (\$2.059 billion); ii) the actual cost of 800 MHz band reconfiguration (“800 MHz Reconfiguration Program Expenditures”); and iii) costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses.

3. 800 MHz Transition Administrator, LLC (“TA”)

The TA is an independent entity charged with administrative and financial aspects of the reconfiguration process. The TA contracted with BearingPoint, Inc., Squire, Sanders & Dempsey, L.L.P. and Baseline Telecom, Inc. to perform the duties of the TA. Among its

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
DECEMBER 31, 2007

(in thousands)

duties, the TA establishes reconfiguration guidelines, specifies replacement channels, reviews Cost Estimates, monitors payment of and reviews 800 MHz licensee reconfiguration costs, assesses Sprint Nextel internal costs of relocation, manages the relocation schedule, facilitates issue resolution and administers the alternative dispute resolution process.

II. SIGNIFICANT ACCOUNTING PRINCIPLES

A. Final Accounting, Scope of 800 MHz Reconfiguration Statement of Program Expenditures and Basis of Accounting

At completion of the reconfiguration process, but no later than six months thereafter, a financial reconciliation, or “Final Accounting”, will be performed to determine any payment due from Sprint Nextel to the U.S. Treasury for any difference between:

- the \$4.86 billion assigned value of the 1.9 GHz band spectrum rights received by Sprint Nextel; and
- the net sum of:
 - i) the \$2.059 billion assigned value of the spectrum Sprint Nextel relinquished in the 800 MHz band;
 - ii) the 800 MHz Reconfiguration Program Expenditures; and
 - iii) the costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses.

The scope of the Statement of Program Expenditures is limited to 800 MHz Reconfiguration Program Expenditures submitted by Sprint Nextel to the TA for assessment and assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures, subject to Sprint Nextel’s performance in accordance with the Report and Order (“Creditable Costs”). Accordingly, the Statement of Program Expenditures does not include all of the costs incurred for certain cost categories (as further described in sections B and C below) incurred through December 31, 2007 because the amounts reflected in the Statement of Program Expenditures for those certain costs exclude costs that have been incurred but not yet submitted by Sprint Nextel to the TA for credit assessment. Additionally, there are certain costs submitted by Sprint Nextel that have been excluded from the Statement of Program Expenditures because more information is needed from Sprint Nextel and/or certain 800 MHz Incumbent Licensees in order for the TA to complete its assessment. These not yet submitted or open for more information costs may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Notes VII and VIII). The Statement of Program Expenditures excludes costs incurred by Sprint Nextel to clear the 1.9 GHz band, less any reimbursed expenses. In

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

accordance with the Report and Order, such costs are maintained by Sprint Nextel and are required to be audited on an annual basis.

The Statement of Program Expenditures is presented on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. 800 MHz Incumbent Reconfiguration Costs

The 800 MHz Incumbent Reconfiguration Costs reflect amounts incurred by Sprint Nextel for:

- payments made to 800 MHz Incumbent Licensees or their vendors in accordance with TA-approved 800 MHz Agreements executed by 800 MHz Incumbent Licensees and Sprint Nextel (“800 MHz Licensee Costs”); and
- certain amounts incurred by Sprint Nextel related to 800 MHz Incumbent Licensee subscriber equipment which requires, as a result of relocation, either a software upgrade or replacement (“800 MHz Replacement Equipment Costs”).

The 800 MHz Licensee Costs include payments for:

- actual costs incurred related to closed TA-approved 800 MHz Agreements;
- advance payments of Cost Estimates pursuant to TA-approved 800 MHz Agreements that have not yet closed; and
- certain sales and use taxes and FCC filing fees Sprint Nextel is required to pay under the terms of the TA-approved 800 MHz Agreements.

The TA-approved 800 MHz Agreements require 800 MHz Incumbent Licensees to provide Sprint Nextel, prior to closing, with the supporting documentation for the actual costs incurred pursuant to such 800 MHz Agreements. The 800 MHz Agreements further require Sprint Nextel and 800 MHz Incumbent Licensees to reconcile the estimated costs included in TA-approved Cost Estimates to the actual costs supported (“Actual Costs”) to determine any additional amounts due to the 800 MHz Incumbent Licensees or any refund due to Sprint Nextel (the “Actual Cost Reconciliation Process”). Certain payment terms included in the TA-approved 800 MHz Agreements require Sprint Nextel to make, based on the TA-approved Cost Estimates included in such agreements, advanced payments prior to the completion of the Actual Cost Reconciliation Process.

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

The 800 MHz Replacement Equipment Costs relate to costs incurred for:

- development of software for certain 800 MHz Incumbent Licensee subscriber equipment that enables such subscriber equipment to be retuned rather than replaced and the related software upgrade kits included in TA-approved 800 MHz Agreements; and
- replacement equipment for certain 800 MHz Incumbent Licensee subscriber and infrastructure equipment where such replacement equipment is to be provided by Sprint Nextel pursuant to such TA-approved 800 MHz Agreements.

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2007 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See II.A. above).

C. Sprint Nextel Costs

Sprint Nextel Costs reflect amounts incurred by Sprint Nextel for:

- Program costs such as i) 800 MHz Incumbent Licensee negotiation costs for broker and legal fees; ii) systems development costs to support tracking and reporting of 800 MHz Program activity and costs; and iii) Sprint Nextel's program and financial management costs, such as fees related to Sprint Nextel legal, management and coordination support, financial management and audit expenditures, and other program costs incurred by Sprint Nextel ("Sprint Nextel Program Costs"); and
- the reconfiguration of Sprint Nextel's systems in the 800 MHz band, such as installing improved filters in Sprint Nextel's 800 MHz base station transmitters and relocating Sprint Nextel Operations to new channels ("Sprint Nextel Internal Network Costs").

The scope of the Sprint Nextel Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Nextel Costs incurred through December 31, 2007 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See II.A. above).

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

D. Letter of Credit Fees

Letter of Credit Fees reflect the interest costs of the \$2.5 billion Letters of Credit maintained by Sprint Nextel as security for payment of 800 MHz Incumbent Reconfiguration Costs. The TA may initiate draws on the Letters of Credit to pay 800 MHz Incumbent Licensees or their vendors in the event that Sprint Nextel fails to make payment within 30 days of a payment obligation date and fails to demonstrate good cause for non-payment within 40 days of a payment obligation date. The carrying balance of the Letters of Credit may be reduced over the life of the Program, as Sprint Nextel's remaining payment obligations related to 800 MHz Incumbent Reconfiguration Costs are reduced, provided however, the Letters of Credit balance may not be reduced below \$850 million.

Letter of Credit Fees are governed by the credit agreement, as may be amended from time to time, Sprint Nextel has entered into with its banks. Interest on the Letters of Credit accrues daily based on the Letter of Credit exposure, defined as the sum of a) the aggregate undrawn amount of all outstanding Letters of Credit; plus b) the aggregate amount of all Letter of Credit disbursements unpaid by Sprint Nextel.

As of December 31, 2007, Letter of Credit Fees are comprised of the following fees:

- a fronting fee of 1/10 of 1% per year; and
- a participation fee and a facility fee, both of which vary depending on Sprint Nextel's corporate credit rating, as published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

E. 800 MHz Transition Administrator Fees

TA Fees are billed in accordance with the TA's agreements with Sprint Nextel. Labor is billed at contractually agreed hourly rates and reasonable costs and expenses, including travel, are billed as incurred.

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

III. 800 MHz INCUMBENT RECONFIGURATION COSTS

Total 800 MHz Incumbent Reconfiguration Costs are as follows:

	For the Year Ended December 31, 2007	Inception Through December 31, 2007
Closed TA-approved 800 MHz Agreements	\$ 11,842	\$ 11,842
TA-approved 800 MHz Agreements not yet Closed	<u>52,936</u>	<u>79,259</u>
800 MHz Licensee Costs	\$ 64,778	\$ 91,101
800 MHz Replacement Equipment Costs	<u>-</u>	<u>32,081</u>
800 MHz Incumbent Reconfiguration Costs	<u>\$ 64,778</u>	<u>\$ 123,182</u>

The amounts paid for 800 MHz Licensee Costs for the year ended December 31, 2007 and for the period of Inception through December 31, 2007 include \$29,438 and \$31,961 related to licensee costs paid to Motorola. The amounts paid for 800 MHz Replacement Equipment Costs relate to software development costs paid to Motorola.

Total TA-approved and executed Cost Estimates and 800 MHz Licensee Costs are as follows:

	For the Year Ended December 31, 2007	Inception Through December 31, 2007
PFAs	\$ 58,541	\$ 80,666
FRA's	<u>156,020</u>	<u>203,423</u>
Total TA-approved and Executed Cost Estimates	\$ 214,561	\$ 284,089
800 MHz Licensee Costs	<u>64,778</u>	<u>91,101</u>
800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	<u>\$ 149,783</u>	<u>\$ 192,988</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2007 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Note II).

IV. SPRINT NEXTEL COSTS

Sprint Nextel Program Costs assessed as creditable for the year ended December 31, 2007 and for the period of Inception through December 31, 2007 are \$21,908 and \$27,476 respectively. The Statement of Program Expenditures does not include any Sprint Nextel Internal Network Costs in the period from Inception through December 31, 2007.

The scope of the Sprint Nextel Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Nextel Costs incurred through December 31, 2007 which may ultimately be assessed as Creditable Costs during a subsequent reporting period. (See Note II).

V. LETTER OF CREDIT FEES

From June 9, 2005 (the initial date Sprint Nextel opened the Letters of Credit) through December 31, 2007, the carrying balance of the Letters of Credit was \$2.5 billion. Through December 31, 2007, there were no draws or disbursements on the Letters of Credit. Letter of Credit Fees incurred and paid by Sprint Nextel for the year ended December 31, 2007 and for the period of Inception through December 31, 2007 are as follows:

	For the Year Ended December 31, 2007	Inception Through December 31, 2007
Letter of Credit Fees Incurred	\$ 15,175	\$ 36,267
Letter of Credit Fees Paid by Sprint Nextel	<u>14,509</u>	<u>33,045</u>
Letter of Credit Fees to be Included in a Subsequent Statement of Program Expenditures	\$ <u>666</u>	\$ <u>3,222</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

VI. 800 MHz TRANSITION ADMINISTRATOR FEES

Fees for labor hours ("Fees") and expenses of the TA incurred and paid for the year ended December 31, 2007 and for the period of Inception through December 31, 2007 are as follows:

	For the Year Ended December 31, 2007	Inception Through December 31, 2007
Fees Incurred	\$ 39,001	\$ 101,385
Expenses Incurred	<u>678</u>	<u>2,823</u>
TA Fees & Expenses Incurred	\$ 39,679	\$ 104,208
TA Fees & Expenses Paid by Sprint Nextel	<u>42,162</u>	<u>100,482</u>
(Payments Incurred in Prior Period) / TA Fees & Expenses to be Included in a Subsequent Statement of Program Expenditures	\$ <u>(2,483)</u>	\$ <u>3,726</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

VII. SUBMITTED PROGRAM EXPENDITURES (Unaudited)

The scope of the Statement of Program Expenditures is limited to 800 MHz Reconfiguration Program Expenditures submitted by Sprint Nextel for TA assessment and assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures. (See Note II.) In certain circumstances, the TA has requested more information from Sprint Nextel and/or 800 MHz Incumbent Licensees in order to allow the TA to complete the credit assessment.

As of December 31, 2007, costs submitted for credit and assessed as creditable or open for additional information are as follows:

	Expenditures Submitted for Credit Assessment	Amounts Assessed as Creditable Costs	Amounts Open for More Information to Allow Credit Assessment
800 MHz Incumbent Reconfiguration Costs	\$ 143,201	\$ 123,182	\$ 20,019
Sprint Nextel Costs	187,671	27,476	160,195
Letter of Credit Fees	33,045	33,045	-
TA Fees & Expenses	<u>100,482</u>	<u>100,482</u>	<u>-</u>
Total Costs Submitted	\$ <u>464,399</u>	\$ <u>284,185</u>	\$ <u>180,214</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

VIII. TO BE SUBMITTED PROGRAM EXPENDITURES (Unaudited)

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, does not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2007 which may ultimately be assessed as Creditable Costs during a subsequent reporting (See Note II).

Costs to be included in a subsequent Statement of Program Expenditures when i) such costs have been paid, submitted by Sprint Nextel for credit assessment, and determined by the TA to be Creditable Costs or ii) once the TA has received and evaluated the additional information requested in order to allow credit assessment are as follows:

800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	\$ 192,988
Less:	
800 MHz Licensee Costs Submitted for Credit but Classified as Open for More Information to Allow Credit Assessment	<u>20,019</u>
800 MHz Licensee Costs Not yet Paid or Submitted for Credit, Subject to the Actual Cost Reconciliation Process	\$ 172,969
Letter of Credit Fees	3,222
TA Fees & Expenses	<u>3,726</u>
Total Costs to be Included in a Subsequent Statement of Program Expenditures, Pending Assessment as Creditable Costs	<u>\$ 179,917</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

Estimated expenditures, incurred by Sprint Nextel and reported to the TA, available to be submitted to the TA for credit assessment in a subsequent period ("Estimated - To Be Submitted Costs") are as follows:

	Inception Through December 31, 2007
Estimated 800 MHz Replacement Equipment Costs	\$ 195,248
Estimated Sprint Nextel Costs	<u>62,945</u>
Estimated - To Be Submitted Costs	\$ <u>258,193</u>

The estimated 800 MHz Replacement Equipment Costs relate to equipment purchased pursuant to fulfillment agreements entered into between Sprint Nextel and various manufacturers, and generally represent deposits or other prepayments made to manufacturers for equipment that is expected to be used in fulfillment of certain replacement equipment under the terms of 800 MHz Agreements.

The estimated Sprint Nextel costs relate to \$39,114 in Sprint Nextel Internal Network equipment purchases, \$11,593 in costs associated with external labor, \$9,396 in 800 MHz Incumbent Negotiation Costs and \$2,842 in internal labor incurred for Sprint Nextel's Internal Network and Program costs.

These estimated amounts may be subject to change, and the actual expenditures incurred that are submitted for credit assessment in the future could be more or less than the estimated amounts presented here. These amounts are the best estimates as of December 31, 2007 given the known events and circumstances at the point in time.

During the period from Inception through December 31, 2007, Sprint Nextel has advised the TA that it has incurred certain costs related to Sprint Nextel's Internal Network that Sprint Nextel may submit for credit at a later date ("To Be Determined Sprint Nextel Costs"), but cannot be reasonably estimated at this time. These costs relate to internal labor costs, program costs and amounts paid to Sprint Nextel's vendors and are expected to be significant.

At this time, Sprint Nextel has advised the TA that it is unable to estimate when the Estimated - To Be Submitted Costs and the To Be Determined Sprint Nextel Costs (collectively, "To Be Submitted Costs") will be submitted for credit. Ultimately, some of these costs may not be submitted for credit if such costs would reduce the payment due from Sprint Nextel to the U.S. Treasury to an amount below zero.

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

The TA will assess the To Be Submitted Costs when Sprint Nextel submits these costs, together with supporting documentation, for TA review. The To Be Submitted Costs and any amounts classified as open for more information to allow credit assessment that are determined by the TA to be Creditable Costs will be included in a subsequent audited Statement of Program Expenditures.

IX. SUBSEQUENT EVENTS (Unaudited)

Following is discussion of expenditures assessed by the TA as Creditable Costs, which are unaudited as of the quarter ended March 31, 2008.

A. 800 MHz Incumbent Reconfiguration Costs

Total 800 MHz Incumbent Reconfiguration Costs are as follows:

	For the Quarter Ended March 31, 2008	Inception Through March 31, 2008
Closed TA-approved 800 MHz Agreements	\$ 11,484	\$ 23,326
TA-approved 800 MHz Agreements not yet Closed	\$ 42,059	\$ 121,318
800 MHz Licensee Costs	\$ 53,543	\$ 144,644
800 MHz Replacement Equipment Costs	-	32,081
800 MHz Incumbent Reconfiguration Costs	\$ <u>53,543</u>	\$ <u>176,725</u>

Sprint Nextel has not yet submitted to the TA for assessment the 800 MHz Replacement Equipment Costs incurred in the quarter ended March 31, 2008. (See Note II.)

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
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(in thousands)

Total TA-approved and executed Cost Estimates and 800 MHz Licensee Costs are as follows:

	For the Quarter Ended March 31, 2008	Inception Through March 31, 2008
PFA's	\$ 1,874	\$ 82,540
FRA's	<u>52,189</u>	<u>255,612</u>
Total TA-approved and Executed Cost Estimates	\$ 54,063	\$ 338,152
800 MHz Licensee Costs	<u>53,543</u>	<u>144,644</u>
800 MHz Licensee Costs to be Included in a Subsequent Statement of Program Expenditures	\$ <u>520</u>	\$ <u>193,508</u>

B. Sprint Nextel Costs

Sprint Nextel has not yet submitted to the TA for assessment the Sprint Nextel Costs incurred in the quarter ended March 31, 2008. (See Note II.)

C. Letter of Credit Fees

On May 8, 2008, the Letters of Credit were reduced from \$2.5 billion to \$2.163 billion. As of March 31, 2008 there were no draws or disbursements on the Letters of Credit. Letter of Credit Fees for the Quarter Ended March 31, 2008 and Inception through March 31, 2008 are as follows:

	For the Quarter Ended March 31, 2008	Inception Through March 31, 2008
Letter of Credit Fees Incurred	\$ 4,584	\$ 40,851
Letter of Credit Fees Paid by Sprint Nextel	<u>3,222</u>	<u>36,267</u>
Letter of Credit Fees to be Included in a Subsequent Statement of Program Expenditures	\$ <u>1,362</u>	\$ <u>4,584</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENTS OF PROGRAM EXPENDITURES
DECEMBER 31, 2007

(in thousands)

D. 800 MHz Transition Administrator Fees & Expenses

Fees and expenses of the TA are as follows:

	For the Quarter Ended March 31, 2008	Inception Through March 31, 2008
Fees	\$ 9,512	\$ 110,897
Expenses	<u>186</u>	<u>3,009</u>
TA Fees & Expenses Incurred	\$ 9,698	\$ 113,906
TA Fees & Expenses Paid by Sprint Nextel	<u>8,706</u>	<u>109,188</u>
TA Fees & Expenses to be Included in a Subsequent Statement of Program Expenditures	\$ <u>992</u>	\$ <u>4,718</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To 800 MHz Transition Administrator, LLC

We have audited the Statements of Program Expenditures of the 800 MHz Reconfiguration Program for the year-ended December 31, 2007 and for the period from August 6, 2004 ("Inception") through December 31, 2007, and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 800 MHz Reconfiguration Program's internal control over financial reporting, as established by both the 800 MHz Transition Administrator LLC and Sprint Nextel, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Statements of Program Expenditures, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Program's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles ("GAAP"), or a comprehensive basis of accounting other than GAAP, such that there is more than a remote likelihood that a misstatement of the Statements of Program Expenditures is more than inconsequential will not be prevented or detected by the Program's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Statements of Program Expenditures will not be prevented or detected by the Program's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 800 MHz Reconfiguration Program's Statements of Program Expenditures is free of material misstatement, we performed tests of its compliance with certain provisions of laws, and regulations, including the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented, and contracts, noncompliance with which could have a direct and material effect on the determination of Program expenditure amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the Transition Administrator in a separate letter dated June 30, 2008.

This report is intended solely for the information and use of management of 800 MHz Transition Administrator, LLC, Sprint Nextel, and the Federal Communication Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Bethesda, Maryland
June 30, 2008